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Summit segment: summit round tables

Summaries of multi-stakeholder round tables

Note by the Secretariat

Addendum

Summit round table C.3, on the theme "International Conference on Financing for Development: looking ahead"

Thursday, 21 March 2002 (morning)

Summary by the Co-chairs

Miguel Rodríguez Echeverría, President of Costa Rica
Alejandro Toledo Manrique, President of Peru
Mike Moore, Director-General of the World Trade Organization

1. After participating in the opening of the debate, Alejandro Toledo Manrique, President of Peru and Co-Chair of the round table, had to leave the session prematurely due to the events that had taken place in his country. Participants expressed their solidarity with the President and people of Peru.

2. The round table generated a rich exchange on the salient issues in terms of "looking ahead" beyond the International Conference on Financing for Development. The main thrust of the discussion is summarized below.

General considerations

3. Participants agreed that the commitments contained in the draft Monterrey Consensus are clear and that their implementation is the responsibility of all. To translate the draft Consensus into action will involve a process of arriving at politically acceptable decisions at the national and international levels. There is a need for strong political will. Some participants noted that there is room for optimism in that regard because there has been a growing common intellectual base for moving forward on the draft Consensus.

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4. Many participants affirmed their commitment to eradicating terrorism, within the bounds of the law, wherever it arises. Global security and the health of the world economy are closely linked since insecurity discourages private national and international investment.

5. The discussion reiterated the importance of coherence, partnership, ownership and participation in effective implementation of the draft Monterrey Consensus and working towards achieving the millennium development goals. There is a need for coordinated efforts to strengthen governance and participation in decision-making at the national and international levels while pursuing coherent development, trade and economic cooperation policies.

6. Several participants underscored the major potential contribution of trade to development and poverty reduction in developing countries and the huge cost that subsidies and trade barriers in developed countries have imposed on developing countries.

7. Participants welcomed the new aid commitments resulting from the Monterrey Conference, while noting that they represent only a first step in efforts to increase aid to achieve the millennium development goals. There was general agreement that improving the effectiveness of aid is the responsibility of donor and recipient countries, and involves improved coordination and capacity as well as national ownership of programmes.

8. It was noted by some participants that the time frame for implementation of the draft Monterrey Consensus is not sufficiently explicit. Some participants felt strongly that there is insufficient consideration of human rights, labour rights, working conditions, fair pay and social protection in the draft Monterrey Consensus. Some also emphasized the need for greater consideration of women's participation in decision-making at all levels and the importance of assessing the gender impact of economic and social policies. It was emphasized that poverty reduction and the provision of health services, education, employment opportunities and justice for all are necessary for strengthening democracy.

9. Participants underscored the importance of the follow-up to the Monterrey Conference as well as more specific modalities of implementation.

Main issues discussed

10. Delegates agreed that the Monterrey Conference represents a key turning point in building the momentum for change in development assistance. The recent initiatives announced by developed countries could be signalling a reversal of the long trend of declining official development assistance (ODA). The groundwork has now been laid for that reversal to be sustained over the long term: developing countries are more explicit about their responsibilities and the need for sound policies and good governance, and developed countries needed to prove the sincerity of their commitments, not just in the field of ODA. In large part, that mutual understanding is the result of common learning in the course of finding a new relationship between developed and developing countries throughout the last half century.

11. Specific challenges of great importance remain ahead for ODA: it should be effective and should also be delivered efficiently. It should prioritize capacity-building, whether for people — such as in the access to technologies — or at the

governmental level — e.g., developing countries' capacity to take part in increasingly complex trade negotiations. It should also take into account the need to enhance productivity and diversification in the agricultural sector.

12. Delegates noted that an essential aspect of coherence consists in a more effective division of labour and development of partnerships between international organizations, in which the respective comparative advantages would be taken into account in the implementation of development strategies. In that light, the World Trade Organization (WTO) highlighted its commitment to tap into the expertise of other international organizations, such as the United Nations Industrial Development Organization, the United Nations Conference on Trade and Development and the United Nations Development Programme.

13. To many delegates, the Monterrey Conference embodies a crucial first stepping stone in the road to a new international financial architecture. In order to be truly instrumental in the process of financing development, the new architecture will have to be more participatory and embody two key principles: prevention and stability. Stable and transparent financial flows and capital markets, at both the domestic and the international levels, are widely seen as a prerequisite for a sustained implementation of development strategies, since episodes of financial turbulence have too often interrupted social progress. Also, the institutionalization of good governance practices by developing countries at the domestic level requires a long-term approach that is incompatible with excessive volatility of financial flows, particularly short-term flows. In that light, the building of institutional capacities for prevention of financial crises at the international level is seen as essential. Accordingly, a mechanism to deal in a fair and transparent way with the problem of external over-indebtedness of developing countries was considered by delegates to be a key aspect of the latter.

14. Participants considered that the excessive volume of external debt of the developing countries must be tackled in a coherent way. External debt should not constitute a permanent and increasing drain on financial resources that would otherwise be available for development purposes. Some participants called for the cancellation of the external debt of the poorest countries. The heavily indebted poor countries initiative was commended by participants as a first step in advancing towards a solution; however, in order to enhance its coherence with other aspects of the international development strategies, progress still needs to be made by broadening the criteria for eligibility of countries and enhancing the volume of debt relief that it provides. True ownership of debt reduction strategies and their connected poverty eradication programmes by the recipient countries was also considered a key element of success. Special consideration should be given to avoid placing undue burdens on creditor developing countries. The final aim is to ensure that a country's level of external debt can be sustainable in the long run without compromising economic and social objectives.

15. Many participants drew attention to the enormous costs that are caused by protectionism for developed and developing countries alike, particularly in the area of agricultural products, textiles and other labour intensive goods. The agreements reached at Doha represent a historical opportunity to start building developmental concerns into the trade liberalization agenda, and developed countries now have a golden opportunity to live up to their commitments. But developing countries also have their part to play in the trade agenda, notably in the field of integration, in a

manner that is compatible with WTO rules. That would make their markets large enough to achieve the scale economies necessary, and it is also linked with the need to attract foreign direct investment (FDI) inflows: one of the reasons that FDI has shied away from Africa, for example, is the pervasive high degree of trade protectionism among Africans themselves, which in too many cases represents an obstacle to an efficient scale of production. Another factor that represents a key obstacle to FDI is the lack of certainty and predictability of the legal and institutional framework, underlining the key importance of good governance policies at the domestic level.

Proposals

16. The following proposals were put forward:

- Establish a strong and effective mechanism for monitoring the implementation of the draft Monterrey Consensus;
- The United Nations should play the lead role in the follow-up to the Monterrey Conference;
- Establish a permanent consultation and discussion forum between developed and developing countries on monetary and financial issues;
- Establish an annual forum for the follow-up to the Monterrey Conference;
- Pursue an arrangement between the United Nations and WTO to bring WTO into the United Nations system to improve coherence;
- Set up an international task force to advance thinking on global public goods and their financing;
- Establish an international humanitarian fund financed from traditional and non-traditional sources, including taxes on speculative capital flows and confiscation of the proceeds of drug trafficking;
- Establish an international economic/financial crisis prevention mechanism comparable to the Secretary-General's proposed early warning mechanism for conflicts in the Security Council.